GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2631
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Fraud Cases in Banks
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has constituted any committee to deal with the fraud cases in Public Sector and Private Sector Banks;

(b) if so, the details thereof; and

(c) the corrective steps taken/being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) to (c): Department of Financial Services (DFS) has formed an inter agency coordination committee to look into large value bank frauds.

Reserve Bank of India (RBI) has issued Master Direction on "Frauds − Classification and reporting" vide RBI. DBS.CFMC.BC.No.1/23.04.001/2016-17 dated July 01, 2016 containing all the details/aspects relating to frauds. To compress the time taken in detection of fraud, a framework for handling loan frauds has been put in place. Objective of this framework is to direct the focus of banks on the aspects relating to prevention, early detection, prompt reporting to the RBI and the investigative agencies (for instituting criminal proceedings against the fraudulent borrowers) and timely initiation of the staff accountability proceedings. The framework also seeks to stipulate time lines with the action incumbent on a bank. Further, the framework has also prohibited banks from extending bank finance to borrowers who have defaulted and also committed a fraud for five years from the date of full payment of the defrauded amount.On receipt of fraud reports from banks, various aspects related to the frauds are examined and concerned banks are advised to report the case to Central Bureau of Investigation/ Police/ Serious Fraud Investigation Office, examine staff accountability, complete proceedings against the erring staff expeditiously, take steps to recover the amount involved in the fraud, claim insurance wherever applicable and streamline the system as also procedures so that frauds do not recur.

RBI has further informed that in January 2016, Central Fraud Registry (CFR) has been operationised as searchable online central data for use by the banks for frauds above Rs. 1 lakh.
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